

# COVID-19 and the Anchorage economy

What do we know and where do we go from here?

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# Outline

Short run

Medium run

Long run: What is the new normal?

## Summary of my economic impact analyses

- ▶ On March 27th, I released an [analysis](#) of COVID-19's potential economic impact.
- ▶ On April 20th, I examined the effect of seasonality on employment and wages for the state and the individual boroughs. That assessment can be found [here](#).
- ▶ A presentation on the statewide effect of COVID-19 on individuals, businesses, local governments, and the budget can be found [here](#).

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# A changing world

- ▶ Economic data is typically issued with a lag. During these times, it is impossible to wait for such releases.
- ▶ At this time, surveys become a powerful tool to gauge economic activity. Additionally, foot traffic data using anonymized cell phone data has become a good source of information.

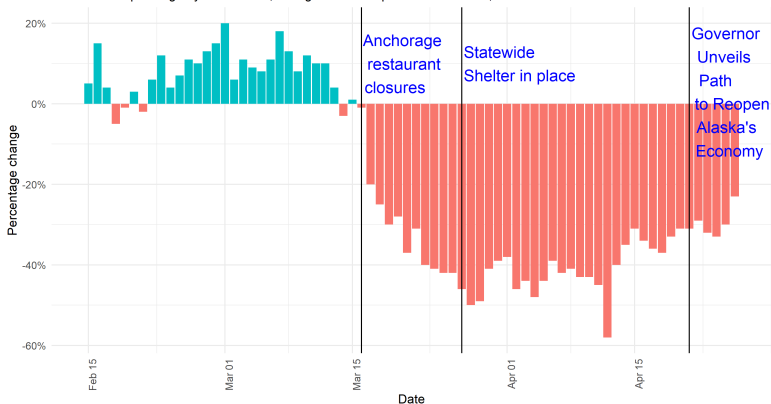
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# How is the public responding to the mandates?

Percentage change in visits to retail and recreation establishments in Anchorage relative to baseline

Google mobility reports where the baseline is the median value, for the corresponding day of the week, during the 5-week period Jan 3-Feb 6, 2020.

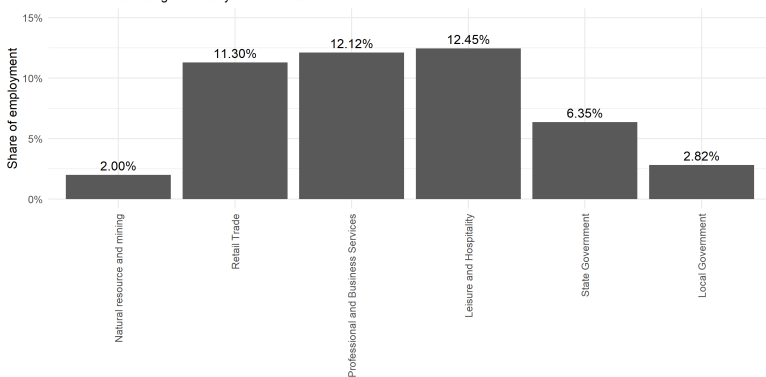




# What portion of the Anchorage economy is vulnerable to these shocks?

Share of overall employment in vulnerable sectors due to declines in Tourism, less consumer spending, lower oil prices, and potential government cuts using July 2019 employment numbers

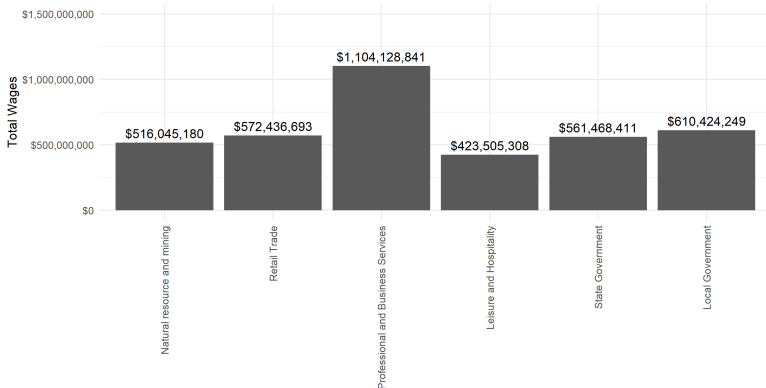
47% of the Anchorage economy is in vulnerable sectors



## How much payroll is at stake?

Total wages in ANchorage in vulnerable sectors due to declines in Tourism, lower oil prices, less spending, and potential government cuts using 2018 annual wage data

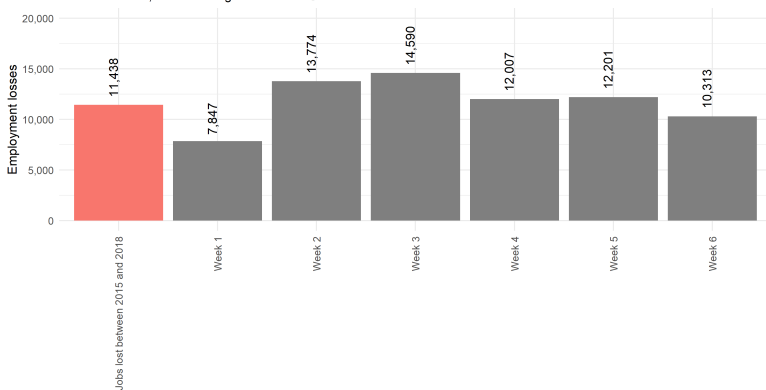
Annual payroll in these sectors is 3.78 billion dollars which represents 43% of the municipality's total



## A little context for the initial claims

In just six weeks, the number of initial claims for unemployment is more than 6 times the number of jobs lost between 2015 and 2018

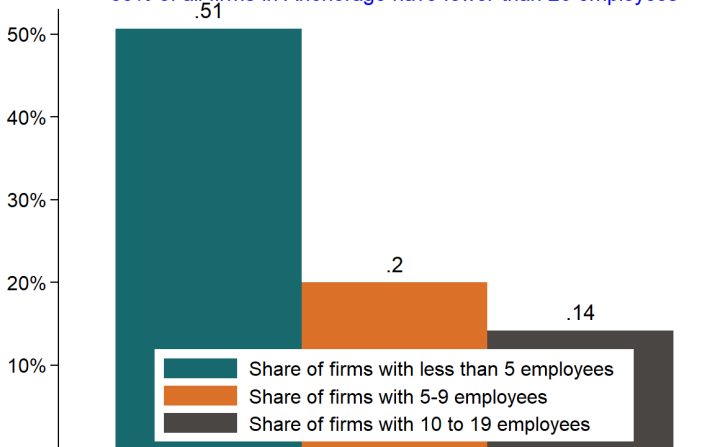
In the first week, the Anchorage/Matanuska-Susitna share of claims was 62%



## On Vulnerability

Share of firms by size using County Business Patterns, 2017

85% of all firms in Anchorage have fewer than 20 employees



Statistics do not include non-employer firms

## What will the recovery look like?

A large black letter 'V' with a diagonal line through it, representing a sharp recovery.

: a sharp recovery is very unlikely

A large black letter 'U' representing a longer downturn followed by a big rebound.

: a longer downturn followed by a big rebound is possible but largely dependent on virus containment and/or development of a vaccine

A large black letter 'L' representing an extended downturn with no bounce in activity.

: an extended downturn with no bounce in activity would happen if consumer confidence/spending ability remains low and there are multiple waves of shutdowns.

## A demand driven economy

- ▶ The Anchorage economy, like the state's, has many components that are highly dependent on national and international demand.
- ▶ The likeliest outcome for the Anchorage economy is a U shaped recovery if we are able to safely re-open the economy.
- ▶ The downturn's length will depend on the share of businesses able to withstand the large shock, share of individuals permanently separated from their employers, and the general spending patterns.

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## Creative and innovative ways for a more resilient economy

- ▶ We will likely need to see more public/private partnerships to develop opportunities that maximize returns and opportunities for the state.
- ▶ Workforce development to adapt with an eye towards new/surviving industries.
- ▶ Focus support on ways to minimize leakage and capture more value from Alaska's resources.

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## Some final considerations

- ▶ Significant economic and fiscal pressure. The economic pause means that the federal government and the state have to be nimble enough to help people, businesses, and communities.
- ▶ While the structural fiscal challenges are here to stay, it may be time to allocate resources to this economic stabilization/recovery.
- ▶ The best thing for the state's economy is containment of the virus which will help restore consumer confidence.
- ▶ Economies are not faucets. This stabilization/recovery will take a while.

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***Thank You***

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